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**MEMORANDUM**

TO: Docket Control

FROM: Steven M. Olea  
Assistant Director  
Utilities Division

Date: July 29, 2009

RE: **ADDENDUM TO STAFF REPORT FOR DIABLO VILLAGE WATER COMPANY AND THIM UTILITY CO - JOINT APPLICATION FOR APPROVAL OF THE SALE AND TRANSFER OF THEIR ASSETS TO METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT AND CANCELLATION OF THEIR CERTIFICATES OF CONVENIENCE AND NECESSITY FOR WATER SERVICE (DOCKET NOS. W-02309A-09-0095 AND W-03293A-09-0095)**

Attached is the Addendum to the Staff Report for Diablo Village Water Company and Thim Utility Co.'s Joint Application for approval of the sale and transfer of their Assets to Metropolitan Domestic Water Improvement District and Cancellation of their Certificates of Convenience and Necessity for water service. Staff is recommending approval with conditions.

EGJ:BNC:red

Originator: Blessing Chukwu

Arizona Corporation Commission  
**DOCKETED**

JUL 29 2009



AZ CORP COMMISSION  
DOCKET CONTROL

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Service List for: Diablo Village Water Company and Thim Utility Co.  
Docket Nos. W-02309A-09-0095 AND W-03293A-09-0095

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ADDENDUM TO STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

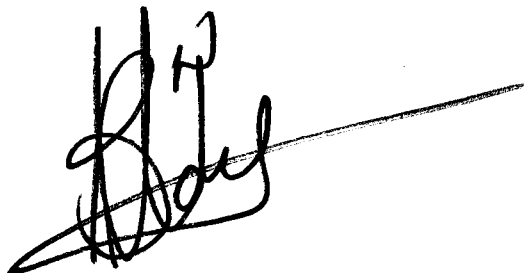
DIABLO VILLAGE WATER COMPANY AND THIM UTILITY CO.  
DOCKET NOS. W-02309A-09-0095 AND W-03293A-09-0095

JOINT APPLICATION FOR APPROVAL OF THE SALE AND TRANSFER OF THEIR  
ASSETS TO METROPOLITAN DOMESTIC WATER IMPROVEMENT DISTRICT AND  
CANCELLATION OF THEIR CERTIFICATES CONVENIENCE AND NECESSITY

JULY 29, 2009

## STAFF ACKNOWLEDGMENT

The Addendum to the Staff Report for Diablo Village Water Company and Thim Utility Co. (Docket Nos. W-02309A-09-0095 and W-03293A-09-0095) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Dorothy Hains was responsible for the engineering and technical analysis.

A handwritten signature in black ink, appearing to read 'Blessing Chukwu', with a long horizontal stroke extending to the right.

Blessing Chukwu  
Executive Consultant

A handwritten signature in black ink, appearing to read 'Dorothy Hains', written in a cursive style.

Dorothy Hains  
Utilities Engineer

**ADDENDUM TO STAFF REPORT  
DIABLO VILLAGE WATER COMPANY AND THIM UTILITY CO.  
DOCKET NOS. W-02309A-09-0095 AND W-03293A-09-0095**

On March 2, 2009, Diablo Village Water Company ("Diablo") and Thim Utility Co. ("Thim") (collectively "Applicants" or "Transferors") filed a Joint Application with the Arizona Corporation Commission ("ACC" or "Commission") for approval of the sale and transfer of their assets to Metropolitan Domestic Water Improvement District ("Metro" or "Transferee") and cancellation of their Certificates of Convenience and Necessity ("CC&N") for water service in Pima County, Arizona. On May 19, 2009, Staff filed a Sufficiency Letter indicating that the Joint Application had met the sufficiency requirements of the A.A.C.

On July 8, 2009, Staff filed its Staff Report in this docket. The Applicants filed their Response to the Staff Report on July 14, 2009, and on July 24, 2009, filed an Amended Joint Application. Hearing is scheduled for July 30, 2009.

In the Amended Joint Application, the Applicants stated "...due to inadvertence, the Joint Application does not indicate that (i) the assets of Thim's Lazy B water system are also proposed to be conveyed to the Metropolitan Domestic Water Improvement District ("Metro"), and (ii) the certificate of convenience and necessity related to the Lazy B water system would be extinguished as well....., this Amended Joint Application is intended to address the aforesaid inadvertent omission...and to provide a summary of the pertinent information relating to Thim's Lazy B water system."

This Addendum to the Staff Report addresses Thim's Lazy B water system and Diablo's compliance with Arizona Department of Environmental Quality ("ADEQ") requirements.

Thim owns and operates three different systems serving separate areas contained within its CC&N service area. The three systems are 1) the Three Points system, 2) the Lazy B system and 3) the E&T system. Only the E&T and Lazy B systems' assets and service areas are the subject of this Application. Thim provides water utility service to approximately 29 customers from its Lazy B water system in an area located approximately twelve miles west of downtown Tucson, Arizona, pursuant to Commission Decision No. 60974 (June 19, 1998). The Lazy B system consists of one well with 26 GPM production capacity and 11,000 gallon storage capacity. The Public Water System ("PWS") number for the Lazy B system is 10-218. The Lazy B system has adequate storage and well production to serve its existing customers. Staff calculated non-account water for the system to be just above 11 percent, which exceeds Staff's recommended 10 percent threshold. The Lazy B water system is in compliance with the requirements of ADEQ, Arizona Department of Water Resources, and ACC.

On March 20, 2009, Staff received a compliance status report for Diablo from ADEQ stating that Diablo was not in compliance with ADEQ requirements. As such, Staff recommended in its July 8, 2009 Staff Report, that Diablo be required to file with Docket Control, as a compliance item by December 1, 2009, an updated ADEQ status report indicating that Diablo is in full compliance with ADEQ requirements and water quality standards. On July

17, 2009, the Applicants filed a compliance status report for Diablo from ADEQ stating that Diablo is in compliance with ADEQ requirements. Also, ADEQ has determined that the system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4. Therefore, Staff's previous recommendation regarding Diablo's compliance with ADEQ has been met.

Staff recommends the Commission approve the Applicants' Joint Application for the sale and transfer of their assets to Metro and cancellation of their Certificates of Convenience and Necessity for water service within portions of Pima County, Arizona, subject to compliance with the following condition:

That the Applicants' be required to file with Docket Control, as a compliance item in this docket, copies of all documentation transferring ownership of their respective water systems and assets to Metro, within 90 days of Diablo filing the above ADEQ compliance status report.

Staff further recommends that the Commission's Decision granting the approval of the sale and transfer of assets to Metro and the cancellation of the Certificates of Convenience and Necessity be considered null and void, after due process, should the Applicants fail to comply with the above Condition.